

## Message Text

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PAGE 01 BRASIL 03178 01 OF 02 221034Z  
ACTION H-03

INFO OCT-01 ARA-06 ISO-00 SS-07 NSC-06 AID-01 /024 W  
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R 211500Z APR 77  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC 1198  
INFO AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 3178

E.O. 11652: N/A  
TAGS: OREP (VANIK, CHARLES)  
SUBJECT: VISIT OF CONGRESSMAN CHARLES VANIK TO BRAZIL

REF: (A) STATE 045225 (B) BRASILIA 1759 (C) STATE 050243  
(D) BRASILIA 1938 (E) BRASILIA 1952

1. SUMMARY. REP CHARLES VANIK, CHAIRMAN OF THE HOUSE SUB-COMMITTEE ON TRADE AND PARTY VISITED BRASILIA MARCH 17 - 18 AND RIO DE JANEIRO MARCH 18 - 20. IN BRASILIA REP VANIK MET WITH AMBASSADOR CRIMMINS AND APPROPRIATE EMBOFFS, THE MINISTER OF FINANCE, OFFICIALS OF THE FOREIGN MINISTRY'S ECONOMIC DEPT., AND MEMBERS OF THE COMMISSION ON AGRICULTURE AND RURAL POLICY OF THE CHAMBER OF DEPUTIES. REP VANIK ALSO PAID A CURTESY CALL ON THE PRESIDENT OF THE CHAMBER OF DEPUTIES. IN RIO REP VANIK MET INFORMALLY WITH US AND BRAZILIAN BUSINESSMAN. EMBASSY REGARDS VANIK VISIT AS HGIHLY SUCCESSFUL IN EXPOSING A KEY US LEGISLATOR TO BRAZILIAN REALITIES AND CLARIFYING NEW WASHINGTON ATTITUDES TO GOB OFFICIALS. END SUMMARY.

2. REP VANIK, ACCOMPANIED BY REP GUY VANDER JAGT, SUB-COMMITTEE MEMBER, AND SENIOR STAFF AIDE, MR. HARRY LAMAR, MET WITH AMBASSADOR CRIMMINS ON THE MORNING OF  
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PAGE 02 BRASIL 03178 01 OF 02 221034Z

MARCH 17. ALSO PRESENT WERE FINATT, AGATT, AND CHIEF, ECON SECTION. AMBASSADOR BRIEFED THE VISITORS ON THE PRESENT STATE OF US-BRAZIL RELATIONS WITH EMPHASIS ON THE NUCLEAR AND TRADE ISSUES. REP VANIK EXPLAINED THE OBJECTIVES OF HIS VISIT TO LATIN AMERICA AREA FAMILIARIZATION AND DESCRIBED THE CHANGING POLITICAL CLIMATE IN WASHINGTON UNDER THE NEW ADMINISTRATION

AND THE EVOLVING RELATIONSHIP AMONG THE WHITE HOUSE, THE PRESIDENT'S ADVISORS, AND CONGRESS.

3. THE CODEL, ACCOMPANIED BY FINAT AAND CONTROL OFFICER, THEN CALLED ON MINISTER OF FINANCE, MARIO HENRIQUE SIMONSEN. REP VANIK GAVE AN EXPOSITION ON THE MOOD OF THE CONGRESS WITH RESPECT TO TRADE ISSUES, INDICATING THE EXISTANCE OF SIGNIFICANCE SUPPORT FOR TRADE RESTRICTION AND CONSIDERABLE CONCERN OVER THE HIGH PRICE OF COFFEE. HE NOTED THAT THE PRESIDENT COULD NOT ALWAYS COUNT ON THE SUPPORT OF CONGRESS, EVEN THOUGH HIS PARTY HAS A MAJORITY IN BOTH HOUSES.

4. REP VANIK THEN WENT ON TO WARN SIMONSEN OF A POTENTIAL TRADE PROBLEM INVOLVING FORD PINTO ENGINES MANUFACTURED IN BRAZIL. SHIPPED TO CANADA AND INSTALLED IN CANADIAN-PRODUCED PINTOS WHICH ARE EXPORTED TO THE US. THE US MANUFACTURERS OF A SIMILAR ENGINE ALLEGED THAT BRAZIL'S EXPORT INCENTIVES GIVE ITS PRODUCT AN UNFAIR ADVANTAGE, AND THAT COUNTERVAILING DUTIES SHOULD BE APPLIED. THE CONGRESSMAN NOTED THAT THE PROBLEM IS COMPLICATED BY THE FACT THAT THE ENGINES ARE IMPORTED FROM CANADA AND THAT PERHAPS THE MATTER SHOULD BE CONSIDERED AS A US-CANADIAN PROBLEM. HE SAID NO OFFICIAL COMPLAINT HAS YET BEEN FILED WITH TREASURY BUT HE WANTED SIMONSEN TO BE AWARE THAT THIS ISSUE MAY ARISE IN THE FUTURE.

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PAGE 03 BRASIL 03178 01 OF 02 221034Z

5. REP VANIK ALSO TOUCHED ON BRAZILIAN RESTRICTIONS ON IMPORTS OF AIRCRAFT, SAYING THAT WHILE HE UNDERSTOOD THE NEED FOR BRAZIL TO CONTAIN IMPORTS, HE HOPED THAT THESE PRACTICES COULD BE RELAXED SOON. WHILE HE

DID NOT WISH TO DEFEND THE CASE OF ANY PARTICULAR FIRM, HE DID MENTION THAT CESSNA HAD SUFFERED THE MOST FROM THESE RESTRICTIONS

6. FINALLY THE CONGRESSMAN INDICATED THAT THE PRESENT HIGH LEVEL OF COFFEE PRICES WAS REALLY DETRIMENTAL TO BRAZIL'S LONG-TERM INTERESTS. HE SUGGESTED THAT IT WOULD BE BETTER FOR BRAZIL TO ALLOW A COFFEE SHORTAGE IN THE US, BY IN EFFECT RATIONING COFFEE EXPORTS, THAN TO PERMIT PRICES TO CONTINUE TO RISE.

7. SIMONSEN REPLIED BY AGREEING WITH REP VANIK'S VIEW THAT HIGH COFFEE PRICES WERE NOT IN BRAZIL'S ULTIMATE INTEREST. HOWEVER, HE DID NOT CONCUR WITH THE CON-

GRESSMAN'S APPROACH; I.E., RATIONING COFFEE EXPORTS. HE ALSO DENIED THAT THE GOB WAS DOING ANYTHING TO INFLUENCE THE PRICE OF COFFEE UPWARD. ON THE CONTRARY, HE MAINTAINED THAT THE GOB WAS RAPIDLY DRAWING DOWN ITS STOCKS ON ORDER TO KEEP PRICES FROM RISING TOO RAPIDLY. IN RESPONSE TO THEPINTO ISSUE, SIMONSEN DENIED THAT BRAZILINA EXPORT POLICIES FORCED FORD TO SHIP ENGINES TO THE U.S. A DISCUSSION OF BRAZIL'S EXPORT FINANCING (BEFIEX) PROGRAM FOLLOWED AND SIMONSEN PROMISED TO LOOK INTO THE MATTER.

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PAGE 01 BRASIL 03178 02 OF 02 221046Z  
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LIMITED OFFICIAL USE SECTION 2 OF 2 BRASILIA 3178

8. THE MEETING ENDED WITH SIMONSEN EXPLAINING WHY THE ITC RECOMMENDATION FOR A TARIFF-QUOTA ON SHOES WAS NOT JUSTIFIED, FOLLOWED BY A BRIEF EXCHANGE ON THE NUCLEAR ISSUE WITH SIMONSEN FRANKLY AGREEING WITH RP VANIK THAT THE REAL "CULPRIT" IN THE CONTRAVERSITY SURROUNDING THE GOB-FRG ACCORD WAS GERMANY AND NOT BRAZIL.

9. IN THE AFTERNOON, REP CANIK MET WITH AMB PAULO CABRAL DE MELLO, CHIEF OF THE FONMIN'S ECONOMIC DEPT., COUNSELOR ALVARO ALENCAR NETTO, CHIEF/TRADE POLICY DIV., AND FIRST SEC JORIO DAUSTER, COFFEE ACTION OFFICER IN THE BASIC PRODUCTS DIV.. REP VANIK DESCRIBED THE STRONG US-CONSUMER REACTION AGAINST RISING COFFEE PRICES AND SUGGESTED THAT THE U.S. MAY HAVE TO RECONSIDER ITS PARTICIPATION IN ICA AS A RESULT. HE ALSO REFERRED TO THE THEN PENDING PRESIDENTIAL DECISION ON U.S. SHOE IMPORTS EXPRESSING THE HOPE THAT A SOLUTION SATISFACTORY TO ALL PARTIES CONCERNED COULD BE FOUND.

10. THE MOST LIVELY MEETING OF  
THE DAY WAS THE CONGRESSMAN'S CALL ON DEPUTY VINICIUS  
CANSACAO, PRES. OF THE COMMISSION ON AGRICULTURE AND  
RURAL POLICY OF THE CHAMBE OF DEPUTIES. WITH THE  
CONTROL OFFICER SERVING AS TRANSLATOR, REP VANIK  
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PAGE 02 BRASIL 03178 02 OF 02 221046Z

REPEATED HIS COMMENTS ON THE COFFEE SITUATION, ADDING  
THAT COFFEE CONSUMPTION IN THE US MAY SUFFER A PER-  
MANENT DECLINE IF PRICES DO NOT DECREASE. THIS TOPIC  
PROMPTED AN ENERGETIC AND SEEMINGLY SIMULTANEOUS RES-  
PONSE FROM THE DOZEN COMMISSION MEMBERS PRESENT, IN-  
CLUDING A FORMER PRESIDENT OF THE IBC (DEP PACHECO  
CHAVES, MDB-SP). THE BRAZILIAN DEPUTIES EMPHASIZED  
THAT COFFEE PRICES IN BRAZIL WERE ALSO REACHING ALARMING  
PROPORTIONS, AND THAT THE BASIC PROBLEM -- LOW STOCKS --  
WOULD TAKE TIME TO RESOLVE.

11. AFTER ALMOST AN HOUR OF THIS ANIMATED BUT  
FRIENDLY EXCHANGE DEP CANSANSO GAVE REP VANIK A  
BRIEF TOUR OF THE CONGRESS AND THEN INTRODUCED HIM  
TO THE PRESIDENT OF THE CHAMBER OF DEPUTIES, MARCO  
ANTONIO MACIEL (ARENA-PE). REP VANIK REPEATED HIS  
COMMENTS MADE EARLIER DURING THE AMBASSADOR'S BRIEFING  
ON THE NEW MOOD IN WASHINGTON AND ALSO DISCUSSED THE  
NEW ADMINISTRATIVE REGULATIONS, SUCH AS THE DISCLOSURE  
OF PERSONAL ASSETS AND ACTIVITIES, WHICH U.S.  
CONGRESSMAN ARE NOW SUBJECT OT. HE CONCLUDED BY  
EXPRESSING THE CONVICTION THAT THE HISTORICALLY CLOSE  
AND FRIENDLY TIES BETWEEN THE U.S. AND BRAZIL WOULD  
MITIGATE TMPORARY PROBLEMS.

12. THE CALL ON THE CHAMBER OF DEPUTIES, WHICH LASTED  
AN HOUR AND HALF, WAS COVERED BY REPORTERS OF THE  
GOVERNMENTS'S PRESS ORGAN, "AGENCIA NACIONAL" (AN), AND  
WAS INCLUDED IN THE AN EVENING RADIO NEW BROADCAST.  
THE REPORT WAS STRAIGHTFORWARD AND ACCURATE. THE VANIK  
VISIT RECEIVED NO OTHER PRESS COVERAGE.

13. IN RIO, THE CONSUL GENERAL HOSTED A MEETING ON THE  
18TH WITH A DOZEN US AND BRAZILIAN BUSINESSMEN. REP  
VANIK GAVE AN INFORMAL OVERVIEW OF MATTERS BEFORE THE  
CONGRESS, CONCENTRATEING ON TRADE ISSUES. HE WAS NOT  
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PAGE 03 BRASIL 03178 02 OF 02 221046Z

OPTIMISTIC THAT THE VARIOUS COUNTERVAILING/ESCAPE

CLAUSE MEASURES NOW UNDER CONSIDERATION BY THE ITC AND EXECUTIVE BRANCH COULD ALL BE RESOLVED IN A NON-PROTECTIONIST MANNER. HE FELT THAT THE CLIMATE FOR LIBERAL INTERNATIONAL TRADE POLICY IN THE CONGRESS WAS RATHER POOR. HE WAS LIKEWISE CONCERNED THAT THE CONGRESS HAD TAKEN THE COFFEE ISSUE BADLY, AND FRANKLY TOLD THE BUSINESSMEN THAT REP FREDRICK RICHMOND'S VIEWS HAD WIDER APPEAL THAN MIGHT APPEAR TO BE THE CASE, HOWEVER THE REAL BRAZILIAN ROLE IN RISING PRICES MIGHT BE.

14. THE BRAZILIAN BUSINESS OFFICIALS DISCUSSED BRAZILIAN REACTIONS TO RECENT BILATERAL TRADE AND NUCLEAR POLICY PROBLEMS, CITING IN PARTICULAR THE DANGER FOR POSSIBLE USG MEASURES TO RESTRICT SHOE EXPORTS. GOB EXPORT INCENTIVES WERE JUSTIFIED AS SIMPLE COMPENSATION FOR WHAT THEY FELT WAS AN OVER VALUED CREZEIRO. THEY WERE CONCERNED THAT THE USG IN GENERAL, AND THE CONGRESS IN PARTICULAR TENDED TO OVER-REACT TO WHAT THEY FELT WERE ONLY MINOR IMPACTS ON U.S. MARKETS BY BRAZILIAN EXPORTS. THEY ALSO LAMENTED THE LACK OF UNDERSTANDING OF THE COFFEE SITUATION.

15. THE US BUSINESSMEN ALSO TOOK ADVANTAGE OF THE OPPORTUNITY TO STATE THEIR VIEWS ON THE UNFAIRNESS OF THE CHANGES IN U.S. INCOME TAX LAWS WHICH REDUCE THEIR EXEMPTIONS ON INCOME EARNED ABROAD. IN THIS AS IN THE OTHER ISSUES, REP VANIK REPLIED IN A CONCILIATORY TONE BUT DID NOT ENCOURAGE THEM TO EXPECT A RAPID CHANGE. DESPITE THE MARKED DIFFERENCE IN VIEWPOINTS, VANIK'S INFORMAL AND KNOWLEDGEABLE COMMENTS SERVED TO BRIDGE SOME OF THE DISAGREEMENTS, AND HIS DETAILED DESCRIPTION OF LEGISLATIVE PROCESSES AND PRESSURES WERE CLEARLY APPRECIATED BY THE BUSINESSMEN.

16. COMMENT. EMBASSY WAS PLEASED WITH THE OPEN AND LIMITED OFFICIAL USE

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PAGE 04      BRASIL 03178 02 OF 02 221046Z

POSITIVE EXCHANGES BETWEEN REP VANI AND HIS BRAZILIAN INTERLOCUTORS, ALL OF WHOM RESPONDED FAVORABLY TO THE CONGRESSMAN'S FRANK BUT INFORMAL AND PERSONABLE APPROACH. WE FEEL THIS VISIT WAS MOST USEFUL IN GIVING AN IMPORTANT CONGRESSMAN WITH SIGNIFICANT INFLUENCE IN US TRADE POLICY HIS FIRST REAL EXPOSURE TO BRAZILIAN REALITIES. IT WAS EQUALLY USEFUL IN GIVING GOB OFFICIALS A FIRST-HAND APPRECIATION OF THE COMPLEXITIES IN THE RELATION BETWEEN THE US LEGISLATIVE AND EXECUTIVE BRANCHES, AND THE RECENT CHANGES AND NEW ATTITUDES IN WASHINGTON, SPECIFICALLY THE CONGRESS. EMBASSY ENCOURAGES AND WOULD WELCOME FURTHER VISITS FROM MEMBERS OF THE SUB-COMMITTEE ON TRADE.

CRIMMINS

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## Message Attributes

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**To:** STATE  
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